

Message Text

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TAGS: EFIN, IT

SUBJECT: ECONOMIC SITREP NO. 28, THURSDAY, DECEMBER 9

REF: ROME 20018

1. SUMMARY. ANDREOTTI AIRPORT STATEMENT UPON RETURN FROM U.S. VISIT EXPRESSED SATISFACTION. LABOR CONFEDERATION EXECUTIVE COMMITTEE TO CONSIDER SEVERING LINK OF COST-OF-LIVING ESCALATOR TO SEVERANCE PAY COMPUTATIONS. ITALIAN REPAYMENT OF U.K. LOAN WAS MADE ON DECEMBER 6. LIRA STEADY AS DOLLAR DEMAND REMAINS LOW. END SUMMARY.

2. ANDREOTTI RETURNS FROM U.S. PRIMIN ANDREOTTI AT AIRPORT THIS MORNING UPON RETURN FROM U.S. VISIT, STATED THAT HE BELIEVED, "THAT THE POLITICAL AND ECONOMIC AIMS OF HIS VISIT TO THE U.S. AT THE INVITATION OF PRESIDENT FORD HAD BEEN REALIZED. THEY HAD USED THE TWO AND A HALF DAYS, MINUTE BY MINUTE, IN A RATIONAL MANNER ACCORDING TO A VERY CAREFULLY PREPARED SCHEDULE." HE BELIEVED THAT, "THE RESULTS ARE POSITIVE." PRESS COVERAGE OF VISIT REMAINED HIGH WITH EXTENSIVE QUOTES OF SIMON'S STATEMENT OVERTLY IMPLYING THE AVAILABILITY OF U.S. ASSISTANCE IF REQUIRED BECAUSE OF HEAVY SPECULATIVE ATTACKS ON THE LIRA WHEN THE PRESENT EXCHANGE CONTROLS ARE REMOVED. TONE OF PRESS COMMENTARY IS THAT ANDREOTTI SUCCESSFULLY DEMONSTRATED THAT ITALY HAS DESIGNED AND INSTITUTED A SOUND STABILIZATION PROGRAM WHICH WILL EVENTUALLY LEAD TO A

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SUCCESSFUL RECOVERY OF THE ITALIAN ECONOMIC SYSTEM.

3. UNION CONFEDERATION MAY DISCUSS SEVERANCE PAY REDUCTION. EXECUTIVE COMMITTEE OF CONFEDERATION OF UNIONS (CCU) WHICH BEGAN MEETING THIS AFTERNOON, WILL DISCUSS POSSIBILITY OF WILLINGNESS TO CONSIDER BREAKING THE LINK BETWEEN WAGE COST-OF-LIVING ESCALATOR AND THE COMPUTATION OF SEVERANCE PAYMENTS. SEVERANCE PAYMENTS, GENERALLY COMPUTED AS APPROXIMATELY ONE FULL MONTH SALARY TIMES THE NUMBER OF YEARS OF EMPLOYMENT, INCLUDE COST-OF-LIVING ADJUSTMENTS IN THE COMPUTATION OF THE SALARY. SAVINGS TO INDUSTRIAL SECTOR ALONE ESTIMATED AT APPROXIMATELY 2 PERCENT OF LABOR COST, OR 700 BILLION LIRE. EXTENSIVE TO ENTIRE SALARIED LABOR FORCE (EXCLUSIVE OF PUBLIC ADMINISTRATION EMPLOYEES) WOULD SAVE APPROXIMATELY 500 BILLION LIRE. TOTAL SAVINGS IN LABOR COSTS COULD, THEREFORE, APPROXIMATE 1,200 BILLION LIRE. PROPOSAL TO EXTEND COST-OF-LIVING ESCALATOR PAYMENTS SEMINNUALLY RATHER THAN CURRENT QUARTERLY BASIS HAS APPARENTLY BEEN PUT ASIDE, THUS RETAINING PRINCIPLE OF "UNTOUCHABILITY" OF THE ESCALATOR AND BRINGING ABOARD SOME OF THE MOST OUTSPOKEN DEFEDERS OF ITS INVIOABILITY. LATE WIRE SERVICE REPORTS INDICATE THAT THE UNION CONFEDERATION WILL REQUEST A DELAY OF THEIR NEXT SCHEDULED MEETING WITH CONFINDUSTRIA (DECEMBER 13) UNTIL AFTER ANOTHER ROUND OF MEETINGS WITH THE POLITICAL PARTIES AND THEIR MEETING WITH THE GOVERNMENT ON DECEMBER 15.

4. FOREIGN EXCHANGE MARKET. LIRA/DOLLAR RATE 865.325 ON DECEMBER 9, COMPARED TO 865.35 ON DECEMBER 7. MARKET VOLUME TODAY ABOUT DOUBLE NORMAL LEVEL BECAUSE OF HOLIDAY YESTERDAY. ON DECEMBER 6 ITALY PAID OFF U.K. LOAN OF \$486 MILLION, WHICH WAS DUE TODAY, DECEMBER 9. WITH U.K. REPAYMENT, ITALY COMPLETED PRINCIPAL REPAYMENTS ON ALL COMPENSATORY BORROWINGS DUE IN 1976 IN AMOUNT OF \$1,360 MILLION, I.E., \$486 MILLION TO THE U.K., \$500 MILLION TO BUNDESBANK, AND \$374 MILLION DUE ON EUROMARKET BANKS' TERM LOANS. IN ADDITION, ITALY PAID ABOUT \$1 BILLION IN INTEREST ON COMPENSATORY LOANS IN 1976.BEAUDRY

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